

**Water Users' District No. 63**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2002**

*Gary Merkle*

**CERTIFIED PUBLIC ACCOUNTANT**

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# GARY MERKLE, CPA

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Water Users' District No. 63  
Boise, Idaho

I have audited the accompanying general purpose financial statements of the Water Users' District No. 63 (the District) as of and for the year ended December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Water Users' District No. 63 at December 31, 2002 and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 20, 2003, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in black ink that reads "Gary Merkle". The signature is written in a cursive style.

November 20, 2003



**Water Users' District # 63**  
**Combined Balance Sheet - All Fund Types and Account Groups**  
**December 31, 2002**

	<u>Governmental Fund Types</u>	<u>Account Groups</u>	
	<u>General Fund</u>	<u>General Fixed Assets</u>	<u>Memo Only Total</u>
<b>Assets</b>			
Cash on deposit	70,900		70,900
Investments	46,983		46,983
Equipment and vehicle	-----	45,633	45,633
Total Assets	\$117,883	\$45,633	\$163,516
<b>Liabilities</b>			
Accounts payable	1,154		1,154
Accrued pension benefits	628		628
Accrued taxes and withholding	1,160		1,160
Current Liabilities	----- 2,942	----- 0	----- 2,942
Total Liabilities	----- 2,942	----- 0	----- 2,942
<b>Fund Equity</b>			
Investment in general fixed assets		45,633	45,633
Appropriated for equipment purchases	3,000		3,000
Unappropriated fund balance	111,941		111,941
Total Fund Equity	----- 114,941	----- 45,633	----- 160,574
Total Liabilities and Fund Equity	\$117,883	\$45,633	\$163,516

*See accompanying notes to financial statements*

**Water Users' District # 63**  
**Combined Statement Of Revenues, Expenditures**  
**And Changes In Fund Balance - All Gov't Fund Types**  
**Year ended December 31, 2002**

	<b>Governmental Fund Types</b>
	<b>General Fund</b>
<i><u>Operating Revenues</u></i>	
Assessments	70,194
Water bank fees received	63,311
Water bank fees refunded	(3,250)
	-----
Total Operating Revenues	130,255
	-----
<i><u>Operating Expenditures</u></i>	
Watermaster's salary	43,052
Payroll taxes	3,239
Water bank fees disbursed	13,022
Employee benefits <i>PERS / Hlth insur</i>	13,249
USGS gage station	6,091
Convention and education	3,893
Office expenses	3,485
Office rent	2,515
Auto expense	2,469
Telephone	1,470
Insurance	1,307
Audit fee	980
River study	5,000
Directors' expense	200
Donated to flood districts	10,000
	-----
Total Operating Expenditures	109,972
	-----
Operating Surplus	20,283
 <i>Nonoperating Revenues and Expenditures</i>	
Interest income	3,916
	-----
Net surplus	24,199
Beginning fund balance	90,742
	-----
Ending fund balance	\$114,941

*See accompanying notes to financial statements*

**Water Users' District No. 63**  
**Combined Statement Of Revenues, Expenditures and Changes**  
**In Fund Balance - Budget and Actual (All Governmental Fund Types)**  
**Year ended December 31, 2002**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<i><u>Operating Revenues</u></i>			
Assessments	71,092	70,194	(898)
Water bank fees received	0	60,061	60,061
	-----	-----	-----
Total Operating Revenues	71,092	130,255	59,163
	-----	-----	-----
<i><u>Operating Expenditures</u></i>			
Watermaster salary and taxes	49,232	46,291	2,941
Water bank fees disbursed	0	13,022	(13,022)
Employee benefits	4,460	13,249	(8,789)
USGS gage station	0	6,091	(6,091)
Convention and education	2,400	3,893	(1,493)
Office expense	2,800	3,485	(685)
Office rent	2,500	2,515	(15)
Auto expense	2,900	2,469	431
Telephone	1,300	1,470	(170)
Insurance	5,500	1,307	4,193
Audit fee	0	980	(980)
River study	0	5,000	(5,000)
Directors' expense	0	200	(200)
Donated to flood districts	0	10,000	(10,000)
	-----	-----	-----
Total Operating Expenditures	71,092	109,972	(28,880)
	-----	-----	-----
Operating Income/(Deficit)	0	20,283	20,283
<i><u>Nonoperating Revenues and Expenditures</u></i>			
Interest income	0	3,916	3,916
	-----	-----	-----
Excess expenses over revenues (Deficit)	0	24,199	24,199
Beginning fund balance		90,742	
		-----	
Ending fund balance		\$114,941	

See accompanying notes to financial statements

**Water Users' district No. 63**  
**Statement of Cash Flows**  
**Year Ended December 31, 2002**

<i>Cash flows from operating activities:</i>	
Change in net assets	20,283
 <i>Reconciling items:</i>	
(Increase)/Decrease in funds invested	(1,827)
Increase/(Decrease) in accounts payable	1,069
	-----
Net cash provided/(used) by operations	19,525
 <i>Cash flows from financing activities:</i>	
Interest income	3,916
	-----
Net cash provided/(used) by financing activities	3,916
	-----
Net cash provide/(used)	23,441
Cash and cash equivalents, beginning of year	47,459
	-----
Cash and cash equivalents, end of year	\$70,900

*See accompanying notes to financial statements*

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Water Users' District No. 63  
Boise, Idaho

I have audited the accompanying general purpose financial statements of the Water Users' District No. 63, as of and for the year ended December 31, 2002, and have issued my report thereon dated November 20, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Water Users' District No. 63 general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

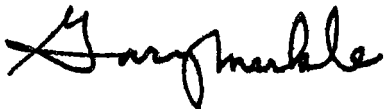
In planning and performing my audit, I considered the Water Users' District No. 63 internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control





components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Gary Markle". The signature is written in a cursive, flowing style with a large initial "G".

November 20, 2003

**Water Users' District No. 63**  
**Notes To Financial Statements**

Note 1 Summary Of Significant Accounting Policies

A - Introduction

Water Users' District No. 63 (the District) was created by order of the Director of Water Resources in the State of Idaho in 1909 under Volume 8, Title 42 of the Idaho Code. The administration of the District is vested in a Watermaster, Board of Directors, Chairman, and a Secretary, all of which are elected annually. The District was created for the purpose of distributing natural flow and storage water to the water right holders of the "Stewart Decree" and the "Bryant Decree" located in Boise, Idaho.

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

B - Basis Of Presentation

Funds And Account Groups

The accounts of the District are organized into funds and account groups, each of which is considered a separate accounting entity. The major fund categories and account groups are:

*Governmental Fund Types*

Governmental funds use the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

*Fiduciary Fund Types*

Fiduciary funds account for assets held by the District in a trustee or agency capacity. Expendable trust funds account for financial activity in essentially the same manner as governmental funds. Pension trust funds use the economic resources measurement focus in essentially the same manner as proprietary funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

**Water Users' District No. 63  
Notes To Financial Statements**

Note 1 Summary Of Significant Accounting Policies - Continued

*B - Basis Of Presentation - continued*

*Account Groups*

The account groups are used to account for fixed assets and long-term liabilities that are not reported in the respective governmental funds.

Total Columns (Memo Only)

Total columns on the combined statements are captioned "Memo Only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

*C - Modified Accrual Basis Of Accounting*

The District used the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenue when both "measurable and available". Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

*D - Budgetary Data*

Prior to December 31, the Board of Directors prepares a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures.

In early February, the budget is legally enacted through passage by the Water Users' at the annual meeting.

Revisions can be made to increase the budget, however, it is necessary to follow the same budgetary procedures as followed for approval of the original budget.

The District does not use the encumbrance method of accounting.

*E - Cash And Investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three month or less from date of acquisition.

Idaho statute allows the District to invest in obligations of the United States, state and local governments time deposit accounts and repurchase agreements.

**Water Users' District No. 63  
Notes To Financial Statements**

Note 1 Summary Of Significant Accounting Policies - continued

*F - Fixed Assets*

Equipment and vehicles are stated at historical cost. Donated items are stated at fair value on date donated. Governmental fund fixed assets are recorded in the General Fixed Assets Account Group and are not depreciated.

Expenditures for materials and supplies are recorded in the year made rather than at the time they are consumed (purchase method). There were no material amounts of inventories on hand at year end.

*G - Compensated Absences*

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Sick leave accrues to full-time, permanent employees to specified maximums. The amount of compensated absences accrued at year end are not material to the financial statements.

*H - Fund Equity*

Appropriations represent that portion of fund equity not available for expenditure or legally segregated for a specific future use. The District's appropriation of \$3,000 for equipment purchase is not legally mandated and may therefore be unappropriated at some future date by authorization of the Board Of Directors.

Note 2 Detailed Notes On Funds And Account Groups

*A - Deposits And Investments*

Cash and investments include amounts in demand deposits and short-term investments. Components of cash and investments at December 31, 2002 are as follows:

	<i>Carrying Amount</i>	<i>Bank Balance</i>
On deposit	47,459	56,565
<i>Syringa Bank</i>		
Investments	45,156	45,156
<i>State Treasurer investment pool</i>		

Investments are stated at cost and all investment activity is conducted through the depository banks and the District's financial officer.

**Water Users' District No. 63**  
**Notes To Financial Statements**

Note 2 Detailed Notes On Funds And Account Groups - continued

*A - Deposits And Investments - continued*

The District's deposits and investments are categorized below to give an indication of the risk assumed by the District at December 31, 2002. **Category I** includes investments or deposits that are insured or registered or for which securities are held by the District or it's agent in the District's name. **Category II** includes uninsured and unregistered investments for which the securities are held by the broker's trust department in the District's name. **Category III** includes uninsured and unregistered investments and deposits for which securities are held by the broker or it's trust department but not in the District's name.

All investments held in the pooled account are Category I type investments.

*B - Equipment And Vehicles*

A summary of changes in equipment and vehicles is as follows

	Dec 31, 2001	Added/Deleted	Dec 31, 2002
Equipment	14,236	0	14,236
Vehicle	31,397	0	31,397
	-----		-----
	45,633		45,633

Note 3 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 4 Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues an expenses during the reporting period. Actual results could differ from those estimates.

**Water Users' District No. 63**  
**Notes To Financial Statements**

**Note 5 Related Party Transactions**

The District has not been involved in any related party transactions that would violate the Idaho Code or applicable federal regulations.

**Note 6 Litigation And Contingencies**

The District at any time may be party to various legal proceedings that normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the District. In addition, the District carries commercial insurance for pending or threatened litigation.

**Note 7 Retirement Plan**

The District participates in the Idaho state Public Employee Retirement System (PERS), a cost sharing multiple-employer retirement system created by the Idaho State Legislature. It is a defined benefit plan requiring both member and employer to contribute. Designed as a mandatory system for eligible employees, the legislation provided for political subdivisions to participate by contractual agreement with PERS. Financial reports for the plan are available from PERS upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each year of credited service, the annual service retirement allowance is 1.917% or 2.225% (depending upon employee classification) of the average monthly salary for the highest consecutive forty-two months.

For the year ended December 31, 2002, the required contribution rates for general employees prior to November 1, 1997 were 9.77% and 5.86% of covered payroll for the District and its employees, respectively, and 10.01% and 7.21% for police/firefighter employees, for the District and its employees, respectively. Subsequent to November 1, 1997, the required contribution rates for general employees were 9.77% and 5.86% of covered employment for the District and its employees, respectively, and 10.01% and 7.21% for police/firefighter employees, for the District and its employees, respectively. The District contributions required and paid were \$4,096, \$2,530 and \$4,330 for the three years ended December 31, 2002 and 2001 and 2000 respectively.